

Investments: From a Treasurer's Perspective

by

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Investments: What I've Learned

- ▶ Investing is an important role
- ▶ Local Board of Finance
- ▶ Banking/Investing Relationships
- ▶ How much can I invest?
- ▶ Building the Portfolio

Why do I care?

- Why does this matter!!
- I'm busy
- I'm not an Economist!
- This can't be worth my time!!

Safety, Liquidity, Yield

- Diversification creates Safety
- Laddered portfolio creates Liquidity
- Longer time horizon increases Yield

Interest Calculation

\$10 Million for a year:

0.55% \$55,000.00

0.65% \$65,000.00

0.95% \$95,000.00

10 basis Pts
= \$10k!!

Local Board of Finance

- ▶ Approves the Investment Policy
- ▶ Meet with Commissioners and discuss
- ▶ Must have a written policy
- ▶ Approve Depositories (Banks)
- ▶ List your Broker/Securities Trader
- ▶ List your Safekeeping Account
- ▶ Don't re-invent the wheel!

Local Operating Bank

- Know your bankers
- Know your interest rate
- Know your fees
- Explain your options
- Negotiate if necessary

Other Local Banks

- Do they help with collections?
- CD's?
- Money Markets
- FDIC protection
- Multiple accounts or Diversification?

Investment Advisors

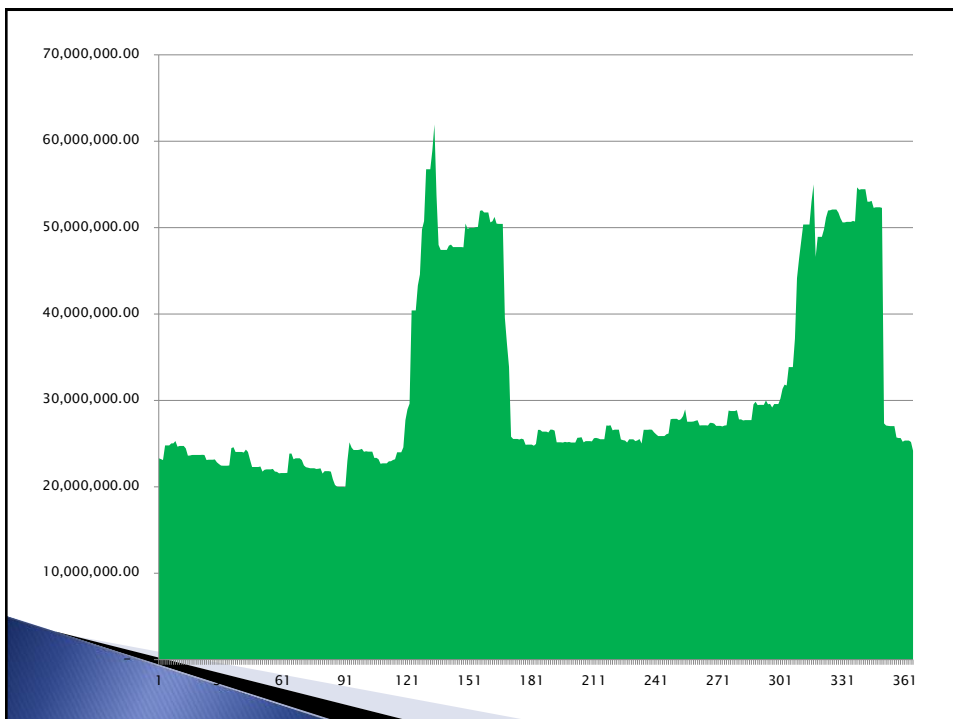
- ▶ Several here at conference
- ▶ They will help educate!
- ▶ Make sure they understand public funds

Safekeeping Account

- ▶ The account that holds your bonds and investments.
- ▶ They do the reporting
- ▶ They accept and disburse funds

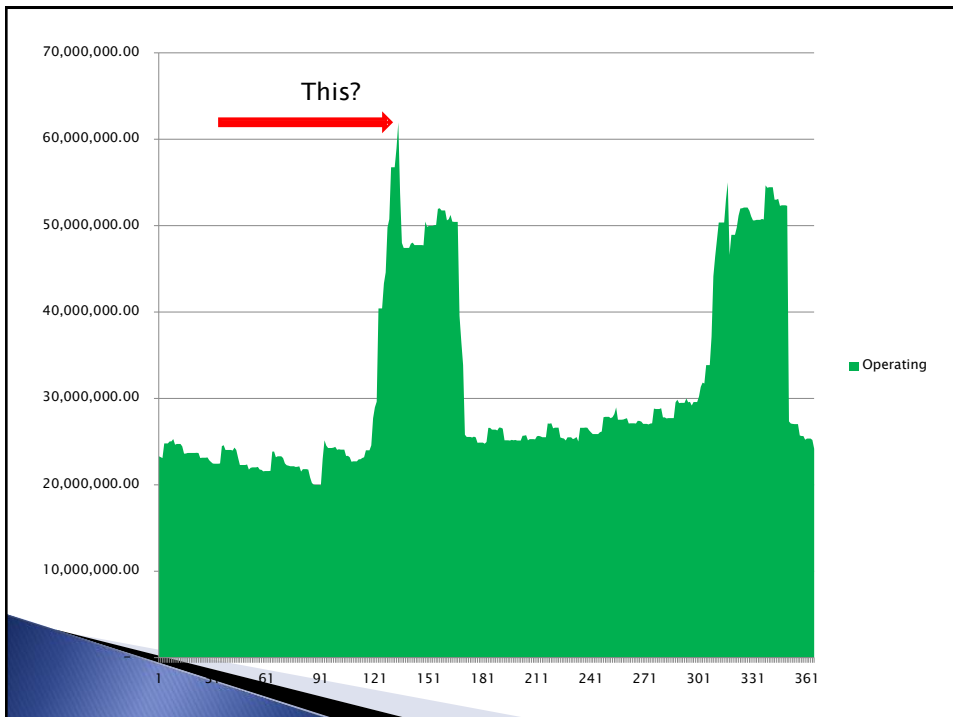
How much can I invest?

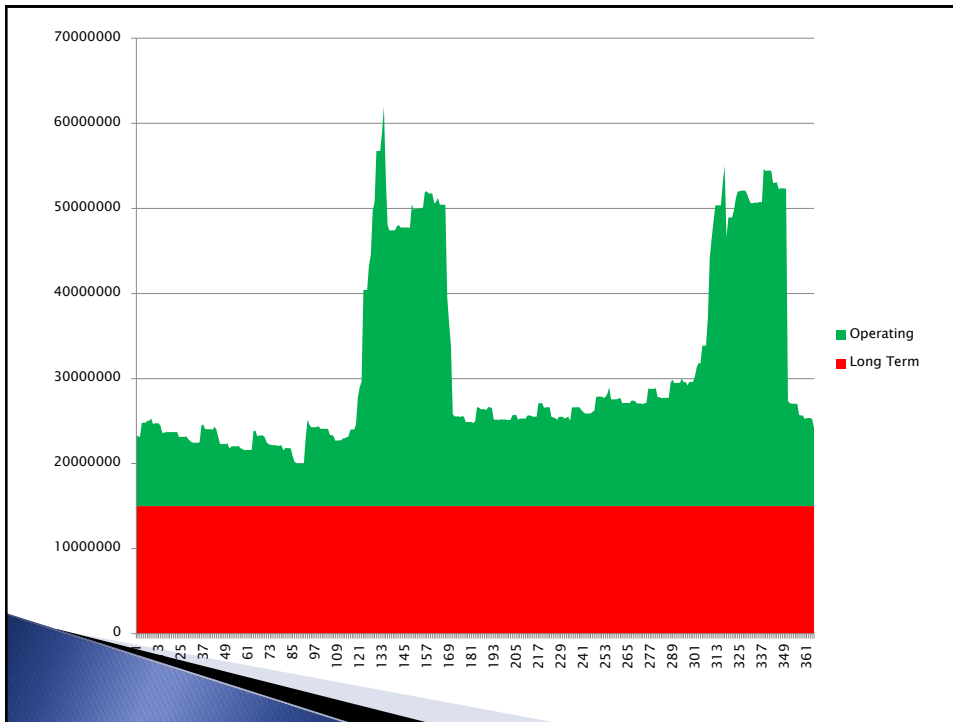
- ▶ Look at your past daily cash history



How much can I invest?

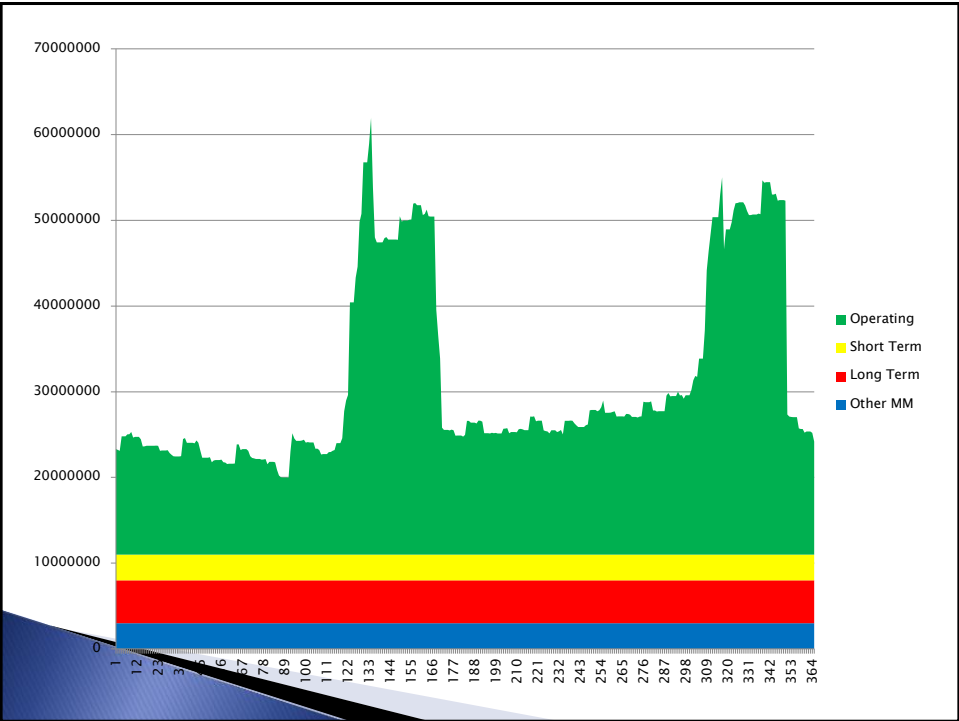
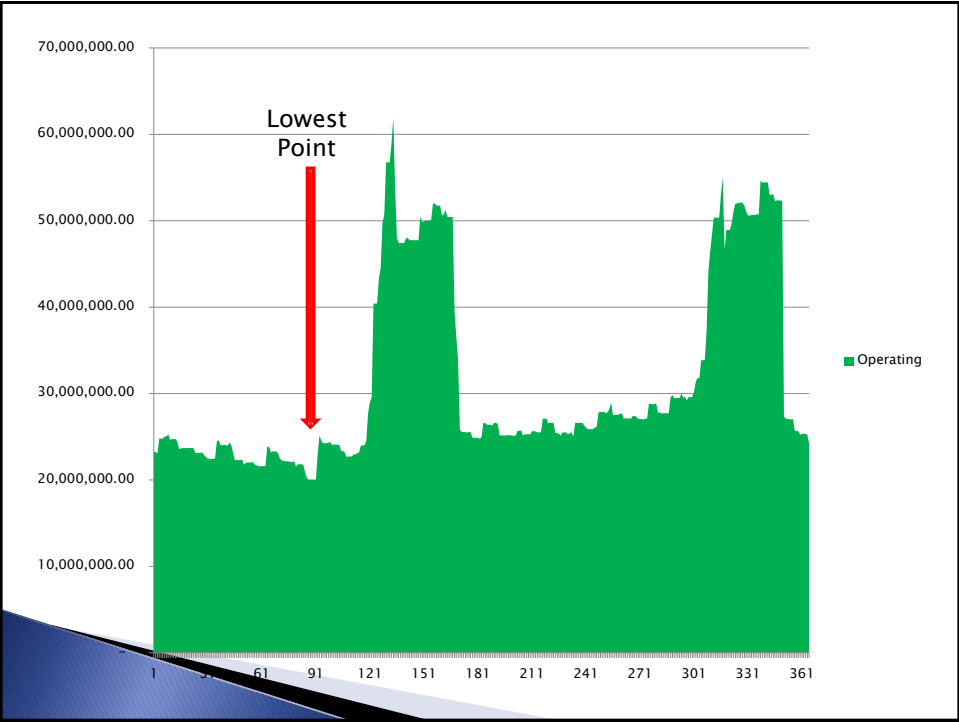
- ▶ Look at your past daily cash history
- ▶ What is allowed?
 - 25% Long Term
 - Long Term is between 2 & 5 Years
- ▶ 25% of What?





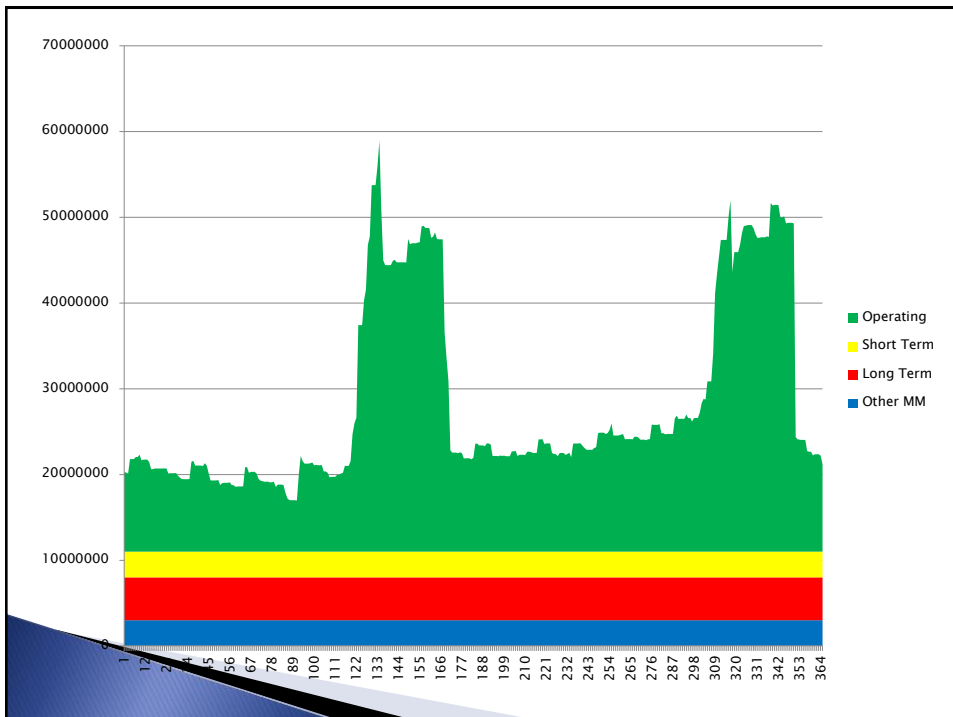
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- ▶ Be responsible



How much can I invest?

- Look at your past daily cash history
- What is allowed?
 - 25% Long Term
 - Long Term is between 2 & 5 Years
- 25% of What?
- Be responsible
- Anticipate large expenditures



How to Begin Investing

- Investment Policy in place
- Account with Investment Advisor/Broker
- Safekeeping Account
- Understand Cash Flow Needs
- Research!
- Model Portfolio
- Build the Ladder

Research

- Public Funds Seminars
- Webinars
- Lunch and learns
- Read

Model Portfolio – Example

- ▶ Lowest amount of cash
- ▶ 25% Long Term (over 2 to 5)
- ▶ 15% Short Term (0 – 2)
- ▶ 15% Liquid but “Parked”
- ▶ 45% Operating
- ▶ Some would say this is too Conservative

Interest Calculation

\$10 Million for a year:

0.75% \$75,000.00

Model \$116,350.00

Investments
= \$40k!!

Investments

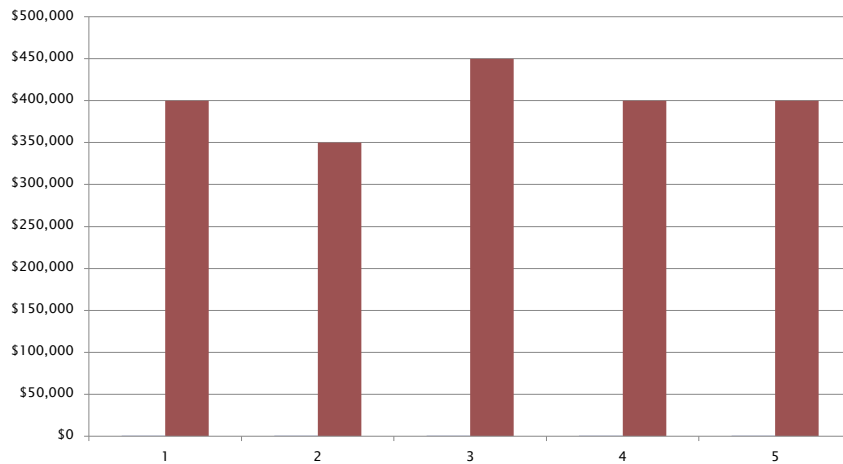
- ▶ Agency Bonds
- ▶ Municipal Bonds
- ▶ Bullets/Callable

**A Mix of
Investment
Types =
Diversity =
Safety!**

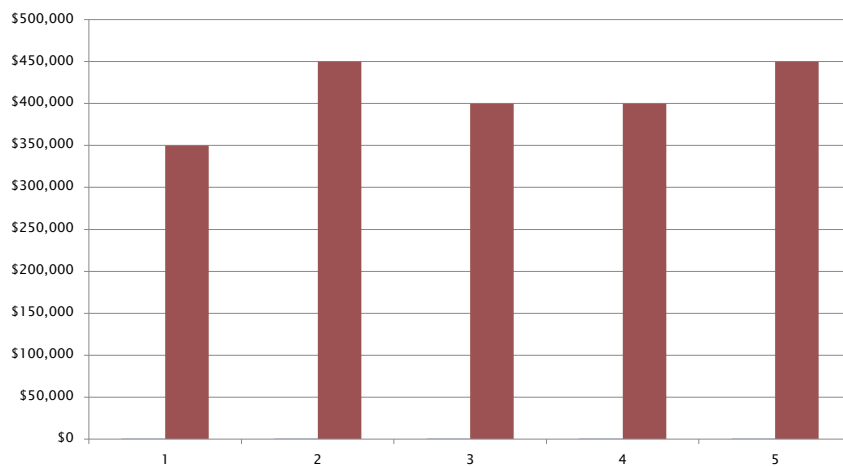
Build the Ladder

- ▶ Something matures all the time
- ▶ Many Indiana Municipal Bonds mature on January 1st & July 1st
- ▶ Understand your cash flow needs
- ▶ When investments mature or are called, fill in the gaps.

Ladder - Year 1



Ladder - Year 2



Review

- ▶ Quarterly Portfolio Analysis with Advisor
- ▶ Annual Discussion with Board of Finance
- ▶ Present to Counsel at Budget Review

Summarize

- ▶ Why Invest?
 - S,L,Y or Diversify, Ladder, Higher Rates
- ▶ Local Board of Finance
 - Have your policy in place
- ▶ Banking/Investing Relationships
 - Consult with experts
- ▶ How much can I invest?
 - Understand Cash Flow
 - Be Responsible
- ▶ Build the Portfolio
 - Ladder

Questions?



Fed Funds Rates



Treasury Yields - YTD

